

V. Kingdome Capital Improvements

Kingdome staff and the Office of Budget and Strategic Planning (OBSP) developed a detailed capital plan through the year 2003. Capital planning for the years beyond 2003 is at a summary level and intended only to address routine maintenance activities. The out year capital forecast does not address major capital improvements nor does it respond to any unforeseen major system improvements. Both OBSP and the Kingdome staff recognize that additional capital expenditure beyond those portrayed in this report will likely be necessary and both recognize that current funding sources dedicated to the Kingdome capital will not be sufficient to address future capital requirements.

The capital review performed in conjunction with this operational analysis concentrated on capital projects intended to improve the life/safety, infrastructure, appearance and the marketability of the Kingdome as a primarily non-sports venue.

In 1995/96, Hellmuth, Obata & Kassabaum (HOK) produced a detailed business development and capital improvements study of the Kingdome. This study was the basis for selecting appropriate capital improvement projects in the scenarios presented in this financial analysis. HOK recommended the implementation of all Baseline and Event Enhancement projects (the first two of seven categories in their study) at the earliest date practical. These two categories total approximately \$43.3 million dollars in capital projects, Football Northwest has assumed this same \$43.3 million in capital projects would be spent on the Kingdome in a non-sports operating scenario.

In conjunction with their non-sports operating analysis (Scenario B), the Kingdome staff was asked to review the capital needs of the Kingdome to sustain and improve the life/safety, infrastructure, appearance and the marketability of the Kingdome. In their capital review, the staff considered annual facilities maintenance, equipment replacement based on their recently updated Kingdome master plan, existing/current capital projects and the 165 projects listed in the HOK study. After considering all the potential Kingdome Baseline and Event Enhancement capital possibilities, as well as reviewing the entire catalog of HOK projects, the Kingdome staff and OBSP agreed on a capital project listing totaling approximately \$44.9 million. This total includes certain projects from all seven HOK project categories, the total annual facilities maintenance and equipment replacement expenditures for the 1997-2003 time period and \$750,000 for the replacement of the pavilion "skin". The latter is the least-cost maintenance option for the pavilion during the time period under consideration. The other pavilion option/alternative is to replace the current exhibition pavilion with a more permanent structure estimated to cost in excess of \$21 million.

Scenario A (with Seahawks) would include all the same capital projects as in Scenario B, \$44.9 million. An additional \$6.6 million would be required in football-related projects from the HOK capital study.

Kingdome capital requirements are funded from 2% King County hotel/motel taxes and 1% King County car rental taxes. These are separate and distinct revenue sources from the Kingdome operating revenues derived from rental fees, parking, concessions, advertising and other miscellaneous operating-related revenues. The hotel/motel and car rental tax revenues are intended to fund the debt service or current expenditures associated with Kingdome capital projects, with the exception of the annual debt service payment of \$5.2 million for the roof repair, which is paid out of the Current Expense Fund. In both Scenarios A and B, a growth rate of 4.5% is used to estimate the availability of hotel/motel and car rental taxes for Kingdome capital needs. Currently, and over the remaining life of these taxes (which sunset after 2012), the County Current Expense (CX) Fund is assumed to finance the debt service for the 1996 roof bond at approximately \$5.2 million per year through the year 2016.

With the exception of the roof debt, all capital requirements, in both Kingdome operating scenarios studied, are expected to be met by the dedicated capital tax revenues. The scheduling and timing of the \$44.9 million in capital projects will determine what appropriate financing mechanism is required to balance the tax revenues and the need to implement specific projects.

On a "pay-as-you-go" basis, there is a shortfall of approximately \$19 million needed to fund all the proposed Kingdome improvement projects in the 1997-2003 timeframe. The proposed projects would have to be spread out over a longer period of time, for example, into the year 2006. Alternatively, selective financing of projects could be undertaken to complete the project list earlier, within the 1997-2003 timeframe, with the additional debt service being paid out of the tax revenue funding sources. During the remaining life of the Kingdome and roof, assumed to be 25 years, the County's Current Expense (CX) Fund would continue to pay the debt service on the 1996 roof bond at approximately \$5.2 million per year through the year 2016.

After this initial round of capital improvement projects, the capital plan calls for a "depreciation" reserve to be established against future Kingdome capital requirements at the rate of about \$4.5 million per year; assuming a 25-year remaining life for the existing dome and roof and that there are no catastrophic facility or system failures, for example, a repeat of the 1994 ceiling tile/roof disaster.

Whereas the \$4.5 million approximates a "normal" reserve amount to sustain the Kingdome facilities, based on its original costs, the \$4.5 million cannot account for major infrastructure replacements or unanticipated failures. Further review and analysis of the Kingdome's long range operating and capital requirements will occur in 2001 as part of the next scheduled comprehensive review and update of the Stadium Master Plan. By this time, the County will have had time to assess and take into account the impact of the implementation of the first round of projects suggested in the HOK study.

The following exhibit displays the Kingdome's capital requirements, for Scenario B (no professional sports tenants), over the 2000-2009 timeframe. However, the Kingdome has been addressing its capital needs, as expressed in the HOK study, since 1996 and has an extensive list of projects suggested by the HOK study in its 1997 capital program (a detailed project listing is located in Appendix B: Capital Projection Support Schedules).

Summary

In summary, the Kingdome capital improvement program developed by Kingdome staff and OBSP indicates that capital improvements at the Kingdome for the foreseeable future are able to be funded with existing dedicated King County hotel/motel tax and car rental tax revenues through 2012, assuming the continuation of the CX subsidy for the debt service on the 1996 roof bond and no unforeseen catastrophic facility failures occur.

The scheduling and timing of the capital improvement projects selected will determine the appropriate financing mechanism necessary to facilitate the desired completion timetable. (On a "pay-as-you-go" basis, the 1997-2003 project list is underfunded by approximately \$19 million, roughly \$3 million per year.) Once the 2012 hotel/motel tax and car rental tax "sunset" is reached, a determination will have to be made as to the funding mechanism necessary to finance future capital repairs and retire the remaining Kingdome (and roof) debt.